

Acquisition of Serasa – 26 June 2007

Paul Brooks
Chief Financial Officer

Preamble

Good afternoon and thank you for joining us today. With me are Nadia Ridout-Jamieson and Peg Smith from our Investor Relations team, and Dick Lawrence, our Senior Vice President of Business Development for Latin America. Today, we announced that Experian has agreed to acquire a controlling interest in Serasa, the largest credit bureau in Brazil, from a consortium of banks. This is an important transaction for us. We think it is unique and transformational, and it means we now own three of the top five credit bureaus in the world, building on our global leadership position. We have agreed to acquire an initial 65% stake in Serasa for R\$2.32 billion (US\$1.2 billion). Our intent is to acquire an additional 5% during the next six months from some minority shareholders, bringing our final equity interest up to 70%. The residual 30% minority will be owned by some of the largest Brazilian banks, who will remain major clients and become our partners.

Serasa

Serasa is a prize asset. It is the fourth largest credit bureau in the world and the largest outside the US. Even at this considerable scale, it still has excellent growth prospects. Its track record of growth has been strong: sales grew by over 20% in each of the past two years, and margins, at over 22%, are very respectable. This acquisition meets both our strategic and financial investment criteria and we expect it to be earnings neutral in the first full fiscal year of ownership, and earnings enhancing thereafter.

In terms of the strategic rationale:

- The acquisition consolidates Experian's global leadership position in Credit Services.
- It gives us a market-leading position in Brazil, which is an extremely attractive market, with increasingly attractive macroeconomic trends.
- We see significant potential to leverage our expertise in Credit Services and Decision Analytics, building on top of the strong information assets of Serasa.
- Longer-term, there is the potential for us to deploy our broader product suite into Brazil.

Serasa is a substantial business, with sales last year of \$313 million and EBIT of \$71 million under Brazilian GAAP. Serasa has a substantial market share of about 60% - over three times the size of its closest competitor. Consumer credit information accounts for 60% of sales, while commercial credit information accounts for the remaining 40%. Like Experian, Serasa's client base is diverse and not dependent on any single industry segment. Financial institutions account for less than 50% of Serasa's sales, and its client base is diversified. Client concentration is low, with the top 10 clients accounting for just over 20% of sales.

Synergy Potential

We see significant potential to leverage our global capabilities in both Credit Services and Decision Analytics. Currently, Serasa generates the majority of its sales from the customer acquisition side of the credit cycle, so there are immediate synergies to be had from cross-selling our account management and collections tools. Also, we see significant potential for our fraud prevention solutions. These products are appropriate to the current consumer credit environment in Brazil, which is negative data only. Our investment case is built on the scenario that Brazil continues as a negative-only market, although we expect that this will change. Longer-term, we see wider opportunities. In Marketing Solutions, we see potential to build on our recent acquisition in Brazil of Informarketing, and we believe the market will be suitable for email marketing services.

Financial Performance and Transaction Details

Serasa has a strong track record of sales growth and margin expansion. Under Brazilian GAAP, sales grew by 24% in the year to December 2005 and by 22% in the year to December 2006. Margins in the business have improved progressively, reaching 22.8% in calendar year 2006, when EBIT grew by 28% to \$71 million under Brazilian GAAP, which increases to about \$81 million when converted to IFRS. We are confident that the market environment, together with the strength of Serasa's product range, will drive strong double-digit growth rates and margin enhancement going forward. In our financial model, as is our normal practice, we have adopted a conservative approach, so we have moderated Serasa's historic growth rates. We have also not taken into account probable legislation permitting the use of positive data in our financial appraisal.

Similarly, although we expect to see revenue from the introduction of value-added products from Experian boosting growth from financial year 2009, we have not factored into our model a significant benefit from revenue synergies and we do not anticipate material cost synergies. Based on our normal approach of taking five years' financial projections and applying a conservative terminal value assumption, the transaction will deliver a double-digit IRR. The acquisition is expected to be neutral to Experians' benchmark earnings in the first full year of ownership – the year to March 2009 – and

enhancing thereafter. In addition, we will enjoy a cash benefit from tax relief on the amortisation of the goodwill, amounting to \$70-100 million per annum for the next seven years, based on a 100% stake.

The acquisition will be financed from existing facilities that were set up at the time of Experian's de-merger. Following completion, we think it likely that we shall retain our BBB+/Baa1 credit rating. Post-completion, our net debt will be about \$3 billion, reflecting this acquisition, as well as our recent acquisition of Hitwise and other smaller transactions. In terms of the 30% minority interest to be retained by the consortium of banks, there are put and call provisions in place. These are exercisable between years five and 10 from the closing of the transaction.

Summary

We believe that we have a winning combination in Serasa, commanding leadership in one of the most exciting markets in the world, great long-term clients and fellow shareholders, a talented and experienced management team, and the ability to make this great business even stronger as we bring our global experience and products to Brazil.

Questions and Answers

Jessica Flounders, Morgan Stanley

You said that legislation is probable, but is it already going ahead? What processes is it going through? Is it just a matter of the government authorising it?

Paul Brooks

The legislation is currently going through Brazilian Congress, but the key point is that it is being sponsored by the government, and particularly by President Lula. With that sponsorship, we feel confident that the legislation will go through. The only issue is what amendments might be made along the way as it passes through Congress, but we expect the legislation to be enacted within a year or so. It is difficult to say with any great certainty, but that would be our expectation.

Dick Lawrence, Vice President, Business Development, Latin America

The process is the normal legislative one – it is not a special process, other than the fact that the Administration has been a very strong supporter of this legislation and has people in various ministries working with Congress to help this through.

Jessica Flounders

Once the legislation has gone through, will it take a couple of years to build up that positive data to a level that is useful?

Paul Brooks

Yes, and that would then enable us to start collecting the positive data. The issue would then be accumulating sufficient positive data for it to start to have true value, which will probably take one to two years. We would then see a clear benefit coming through in the P&L account.

Scott Williams, PIAA

This morning, you said that you expected a 50-100-basis-point margin improvement per year. Is that based on the IFRS margin of 26% or the Brazilian GAAP margin?

Paul Brooks

That is based on the IFRS margin going forward.

Scott Williams

The 65% stake for R\$2.32 billion implies that the 70% stake is going to be another US\$100-150 million – is that correct?

Paul Brooks

It is about R\$170 million, or about US\$80-90 million.

Scott Williams

On the positive legislation change, could you give us the example of the UK in terms of what the impact might be?

Paul Brooks

The way I understand it is that the legislation came in sometime around 1987. The impact is that, first of all, there are additional costs involved, as you can imagine, in accumulating, loading and cleaning the additional data. It also gives rise to additional consumer issues because there is a lot more data that consumers might want to challenge if they have been turned down for credit, so there are additional costs. The big upsides are that, in the UK, we saw a significant increase in prices in the region of 25-30%; we also saw a big increase in volumes too, because clearly the information has far more utility. In the UK, we saw a significant uplift in revenue as a result of this.

Scott Williams

Was that mainly from the banks? I know that there is a big retail component of the Brazilian market in terms of the 'unbanked' – would things be different for the Brazilian market?

Peg Smith, Executive Vice-President

It expands the market for everyone, in terms of the fact that using both positive and negative data allows you to assess total indebtedness and have a complete picture of whether a consumer is able to handle additional credit, which means that they can lend at a more competitive level down into lower income brackets. Whether you are doing retail credit, credit cards or bank loans, it expands the market for all lenders. It is part of the reason why the Brazilian government is really backing this legislation.

Jessica Flounders

Given that the legislation will take several years, something that you can make a start on straightaway is Decision Analytics and cross-selling that product. What timescale do you see for that taking place?

Dick Lawrence

As you probably know, we have been selling our Decisions Analytics products and services in Brazil for the last seven years. The acquisition gives us an opportunity to begin to provide those services and products through a much broader distribution network that Serasa has in place. That may include continuation of licence sales, but it also may include hosted solutions, which would significantly expand the volume of usage of those products in Brazil.

Peg Smith

Something that we hope to do is to emulate the UK model. For about every dollar of Credit Reporting Services, it is our mission to sell a dollar of Decision Analytics or value-added products alongside it and to embed it into client organisations. When you do that, you are able to sustain a very high market share and create great value for clients. That is the model. With the market share that Serasa has already and our ability to port our global Decision Analytics into that market, we believe that it is possible to move in that direction at a fairly aggressive pace in terms of growth in Decision Analytics.

Jessica Flounders

I think the ratio in the US is more like 10 cents to a dollar.

Peg Smith

That is roughly right.

Jessica Flounders

Are you thinking of that scale for the next couple of years, with the UK model being envisaged further down the line?

Peg Smith

That is absolutely right. In the US, Decision Analytics is probably no more than 10% the size of Credit Reporting. In Brazil, we will add more value to Serasa's data by selling Decision Analytics and starting to sell it as a bundled solution, effective almost immediately, especially in account management.

Jessica Flounders

In terms of the credit data that Serasa has been using in the past, because Serasa has been owned by the banks that provide much of this data, I guess there is a lot of internal revenue shift. How is that affected, now that you essentially own Serasa? Is there going to be any increase in the cost of buying this data?

Paul Brooks

Essentially, there was an arms-length relationship between Serasa and the shareholders, who were also customers and data suppliers prior to this transaction. As part of the deal, we have also ensured that we have arrangements in place going forward to maintain the relationships.

Michael Meltz, Bear Stearns

Can you talk about the exclusivity of the relationships that you have? Do the banks have the opportunity to sell the data to others on the consumer side?

Paul Brooks

I do not want to go into detail around the relationships that we have established with the banks, but clearly they would have the ability to supply data elsewhere too going forward.

Michael Meltz, Bear Stearns

The EBIT number looks different to what was in the prospectus. What was the EBITDA of this business in 2006?

Paul Brooks

The EBITA was R\$138 million.

Michael Meltz

What is the difference between the EBIT that you are presenting here and the EBITA of this business?

Paul Brooks

The EBITDA in 2006 was R\$151 million.

Michael Meltz

On the present value of the cash savings, does the spread have to do with the difference between the 70% and 100% ownership?

Paul Brooks

No. The spread is because the exact amount of goodwill available for amortisation depends on what intangible assets are set up as a result of the acquisition – that has not yet been clarified. We have a range, which is dependent on how many intangible assets are set up that will not be tax-deductible. Our expectation, however, is that we will be near the top end of that range.

Michael Meltz

You said the acquisition would be neutral to earnings next year and then accretive in 2009. What will the impact be on the rest of this year?

Paul Brooks

We said it is mildly dilutive this year, in the region of 1%, and it will be earnings-neutral in the year to March 2009.

Robert Goose, Lightspeed Venture Partners

Was any debt carried over in the transaction?

Paul Brooks

No.

Conclusion

Paul Brooks

Thank you for your interest on this significant day in the development of Experian. We look forward to speaking to you again next time.